BUDGET
1978-79

Speech of

Thiru K. Manoharan

Minister for Finance

20th February 1978

Speech of Thiru K. Manoharan, Minister for Finance, Government of Tamil Nadu presenting the Budget for 1978–79 *to the Legislative Council on* 20*th February* 1978.

Mr. Deputy Chairman Sir,

I rise to place before the House the Revised Estimates for 1977-78 and Budget Estimates for 1978-79.

2. The coming year will be the first full financial year for which the present Government will be placing its Budget proposals before the House. In the period of about 7 months that has elapsed since I presented the Budget for the current year, Tamil Nadu has faced a very serious natural calamity in the severe cyclone, heavy floods and continuous rains during October-November 1977. We have met this crisis with firmness and courage. Our people have once again shown their innate strength in responding to this tragedy with a sense of fortitude and self-reliance. On the part of Government, we have not allowed resources to be a constraint in taking all necessary and possible measures for relief, rehabilitation and restoration of damaged property. But these efforts of the Government would by themselves not have succeeded without the willing co-operation of all sections of our people, voluntary organisations, responsible political parties, officials at various levels and the Central Government. My first task, therefore, is to express our gratitude

and appreciation to all those individuals, organisations, other State Governments and the Centre who stood by us in meeting Nature's wrath.

3. Our objectives are to create employment, reduce poverty, promote rural development and work for the uplift of the downtrodden sections of society. These are indeed national objectives today. It is a matter for satisfaction and encouragement that there is a great deal of harmony between the Centre and our State in basic policies such as those relating to rural uplift, development of small-scale and cottage industries, promotion of employment and prohibition. It is in this context of such an identity of objectives, that the Centre and the State will have to co-ordinate their efforts for the development of Tamil Nadu.

4. On the national economic scene, the two great assets today are sizable foodgrain stocks and foreign exchange reserves. Price increases have no doubt been there but they are not such as to cause any grave concern. We have been able to ensure adequate availability of foodgrains at reasonable prices despite the damage to the paddy crop in Andhra and Tamil Nadu arising from the cyclone and the removal of inter-State restrictions on the movement of grains on an all-India basis. The steps that have been taken in regard to procurement, open market purchases and receipts from Central stocks have enabled us not only to fully service the public distribution system but also to expand it. The storage position in the reservoirs is excellent and given a normal South-West monsoon, there should be no power-cut in the ensuing year. The position in regard to agricultural inputs is comfortable and there is no shortage

of raw materials for industry. Several industrial disputes have been satisfactorily settled and industrial relations are generally peaceful. These opportunities for growth should be fully seized in order to step up the pace of development. There should be no delay or default, on account of financial difficulty, in taking up any sound project or programme which is ready for implementation. Our desire and demand is that the Centre should give adequate financial assistance to the States and work in complete unison with them in this task of national development. While it is the responsibility of the State Government to pursue sound and prudent policies, it is equally our right to expect that the Centre should willingly come forward to meet the legitimate requirements for the greater welfare and growth of the people of Tamil Nadu.

Annual Plan

5. As Honourable Members are aware, a decision has been taken at the national level to terminate the Fifth Plan with the current year and to initiate a new five-year Rolling Plan with effect from 1978–79. Pending finalisation of the new five-year Plan, the Annual Plan for 1978–79 has been formulated against the original perspective of the Fifth Plan which was initiated in 1974–75. The Plan outlay for Tamil Nadu for the five-year period 1974–79, as approved by the National Development Council, was Rs 1,122 crores. In the first four years of this period ending with the current year, we expect to spend Rs 864 crores on the Plan. We have provided for an outlay of Rs 305 crores for the Annual Plan in 1978–79. This is Rs 45 crores or 17 per cent higher than the approved Plan outlay

of Rs 260 crores for the current year indicating the Government's concern for increasing developmental outlays. The total Plan expenditure during 1974–79 will be of the order of Rs 1,169 crores and at a level higher than the outlay approved by the National Development Council.

6. In the Budget, our basic objective has been to further increase the Plan outlay with priority being given to rural areas and the weaker sections. The provisions in the Plan for major sectors are : Power—Rs 114 crores; Irrigation—Rs 24·9 crores; Agriculture and allied sectors—Rs 44·6 crores; Industry—Rs 13·5 crores; Transport and Communications—Rs 28·3 crores; Water-supply and Sewerage—Rs 27·3 crores; Education—Rs 16·7 crores; and Other Social and Economic Services—Rs 35·7 crores. I might point out that the Plan provisions include an outlay of Rs 10·5 crores representing spill-over expenditure on works connected with the repair and restoration of cyclone and flood-affected irrigation sources, roads and sand-cast lands.

7. Copies of the Budget Speech placed in the Legislative Assembly this morning have been furnished to the Honourable Members. I would like to draw the attention of this House in particular to the important decisions that have been taken and announced in the Budget Speech.

Agriculture and Allied Sectors

8. Agricultural production in the current year will not fall short of the original targets despite the damage caused by the cyclone and floods. This is largely due to the

response of our farmers to the various relief measures extended by Government to induce them to resume agricultural operations in the affected areas. In 1978-79, we are aiming at a target of 87 lakh tonnes of foodgrains, 14·3 lakh tonnes of sugarcane (gur), 15·7 lakh tonnes of oilseeds and 4·2 lakh bales of cotton. Honourable Members are aware that Government have decided that open market purchases of paddy will be made directly from farmers at the incentive price of Rs 90 per quintal for coarse varieties and Rs 95 for medium varieties.

9. The overall Plan outlay for the agricultural sector in 1978-79 will be Rs 15·57 crores. Provisions have been made in the Plan for various agricultural developmental programmes such as strengthening of seed farms, schemes for the increased production of pulses and millets, intensive coconut development, planting of departmental orchards, establishment of farmers' training centres, creation of an independent seed certification agency and soil and moisture conservation schemes in dry areas. Adequate provisions have also been made for developmental programmes in Animal Husbandry, Dairy Development, Fisheries and Forests. A provision of Rs 7·41 crores has been made under the Plan for the co-operative sector. The Budget includes a provision of Rs 2 crores for the scheme for setting up fair price shops in revenue villages which are not already covered.

Irrigation

10. In the current year, seven irrigation schemes are expected to be completed. They will benefit about

32,500 acres of new area and stabilise irrigation in about 1,13,500 acres. A number of new medium irrigation schemes are currently under investigation mainly in the Pennar and Vaippar basins. These will benefit the drought-prone districts of Dharmapuri and Ramanathapuram. A provision of Rs one crore has been made in the Budget for expenditure in the coming year on the new schemes to be taken up after detailed examination.

11. A significant achievement in the current year is the agreement we have reached with Kerala that the feasibility of utilising waters from west-flowing rivers in Tamil Nadu will be studied. Major provisions in the irrigation sector are for the Periyar-Vaigai Improvement Scheme (Rs 10·94 crores), Parambikulam-Aliyar Project (Rs 3 crores) and the Cauvery Modernisation Scheme (Rs 2 crores).

12. The Budget contains a provision of Rs 4·21 crores for the special minor irrigation programmes and desilting and reclamation of tanks. A major tank modernisation project with an ultimate outlay of Rs 111 crores will be initiated in 1978–79. Under this project, 12 tanks will initially be taken up in the coming year as a pilot project. A pilot project will also be initiated in East Ramanathapuram for the construction of public irrigation wells, water from which could be shared amongst several farmers.

Power

13. The Annual Plan provides for a very significant step-up in the outlay on Power from Rs 95 crores in the current year to Rs 114 crores in 1978–79. Apart from expediting

the commissioning of the first two units of 210 MW each in the Tuticorin Thermal Project, we have obtained the approval of the Centre in the current year to proceed with a third unit of equal capacity with an outlay of Rs 71 crores. A provision of Rs 56·04 crores has been made for the three units of the Tuticorin Thermal Project. Other major provisions in the Power sector are Rs 32·5 crores for transmission and distribution and Rs 11·5 crores for rural electrification. It is proposed to energise about 35,000 pumpsets in the coming year under the latter programme.

14. The outlook for increased power availability in Tamil Nadu has considerably brightened with the indication that the Central Government have decided to go ahead with the second mine-cut at Neyveli based upon which a thermal power plant of 630 MW capacity will be added to the Tamil Nadu grid. We have urged the Centre to expedite the implementation of this long-awaited project and ensure that the benefits from this investment are made available in the shortest possible time. In view of the considerable time involved in the investigation, sanction and completion of power projects and the visible constraints in regard to future additions to hydel and thermal capacity, the investigation of a second nuclear project in Tamil Nadu needs to be taken up without further delay. Along with it, definite and concrete steps are necessary for expediting the commissioning of the long-delayed Kalpakkam nuclear plant. We trust that the Centre will take due note of these requirements and concerns of Tamil Nadu and ensure that power

generation keeps pace with the growing demands for agricultural and industrial uses in our State and in the Southern region as a whole.

Large and Medium Industries

15. The declared policy of our Government is to encourage small industries and village and cottage industries in the rural areas. At the same time, we shall give every encouragement and support to the establishment and proper functioning of large industries in the State which are employment-intensive or are based on the utilisation of local raw materials or are engaged in the manufacture of mass consumption items. A provision of Rs 8·57 crores has been made in the Plan for various industrial development and promotional corporations. A proposal for the establishment of a 250-ton per day newsprint plant based on bagasse at a cost of Rs 100 crores is under active examination.

Urban Development

16. The major provisions under this sector are for the World Bank-assisted project for the integrated development of Madras City (Rs 12·43 crores), construction of tenements for erstwhile slum dwellers in Madras, Madurai, Coimbatore and Tiruchirappalli (Rs 4·35 crores), the slum improvement programme (Rs 2 crores) and for urban water-supply and drainage schemes (Rs 11·7 crores). Necessary steps will be taken to draw up and implement programmes for improving the amenities in smaller towns and growth centres in various districts along with integrated urban development projects in Madurai and Coimbatore.

Rural Development

17. Economists and politicians have, for a long time, drawn attention to the conflict of interest between workers and capitalists, the poor and the rich, the illiterate and the educated, backward and more advanced areas and the like. No one can deny that these disparities exist and should be removed. However, in the circumstances of our country, the most important inequality is that between rural and urban areas. This is the basic problem that was highlighted by Gandhiji and in our State by Anna. If we take, for instance, our annual Plans we find that the per capita expenditure in rural areas is less than half of the per capita expenditure in urban areas. The rural areas have suffered from continued neglect as a result of which essential minimum needs such as schools, hospitals, drinking water, electricity, roads, banking facilities and retail outlets for essential consumer articles are still very much inadequate in the countryside. Skilled manpower in the form of doctors, engineers and highly qualified teachers tend to concentrate in urban centres and avoid the rural areas. It is not my purpose to suggest that there should be any reduction in essential expenditure for providing greater facilities and services in urban areas. We must, however, realise that these large expenditures on urban concentrations could have been avoided if productive opportunities and conditions of life in rural areas had been so upgraded that there was no incentive for migration to cities.

18. The policy of this Government is to correct this imbalance. Our programme is to increase the incomes of the rural population by the widespread provision of

irrigation facilities, schemes for the development of agriculture, animal husbandry, dairying and fisheries. There is lack of employment in the villages in the off-season. Employment will have to be organised in the non-agricultural season particularly for landless labour, on the maintenance and construction of medium and minor irrigation sources, roads, soil conservation and afforestation. In this background, the Land Army scheme announced earlier will be shortly implemented. There will have to be a major transformation in rural industrialisation through small-scale, village and cottage industries. Our various programmes such as provision of fair price shops in each revenue village, extension of credit and marketing services to small farmers, fishermen and handloom weavers, programmes for rural water-supply, rural roads, vocational education in rural schools, adult literacy, rural health and rural housing constitute a major effort for upgrading the quality of life in rural areas.

19. These are major tasks and it will take several years for all villages to be benefited. Considering the magnitude of the challenge, Honourable Members might feel that the financial position does not permit sufficiently large allocations to the rural sector. As far as the Government is concerned, I wish to assure the House that village uplift is our highest priority. We shall increase outlays for the rural sector from year to year and we are determined to fare firmly forward in this revolutionary task. After all, even a journey of a thousand miles has to begin with its first few steps.

Village Uplift Programme

20. Apart from Governmental programmes, rural people with some support from the State should take up several economic programmes on their own initiative on the basis of mutual co-operation. Village and cottage industries, fish cultivation in village ponds and tanks, farm forestry, desilting and maintenance of field channels, sericulture, production of quality seeds, vegetables and fruits, poultry, pig and sheep farming are examples of such programmes. They can provide the firm foundation for villages to become self-sufficient and to increase their incomes through outside sale by harnessing their own resources and manpower.

21. In the coming year, we shall take up this village uplift programme in groups of selected villages in backward areas and we shall extend the scheme on the basis of experience in a phased manner. The objective of this scheme is that people in our villages who are steeped in poverty should help themselves to achieve self-sufficiency and that villages should prosper to an extent where they become centres of growth like small towns.

Rural Industries

22. We welcome the recent industrial policy statement of the Central Government which seeks to give prominence and priority to the development of small-scale and village industries in the rural areas. This is in accordance with our own approach to industrialisation. In the coming year District Industrial Centres will be set up in 7 districts

to promote small industries. These centres will help small entrepreneurs to identify investment opportunities along with financial and marketing advice. Government will shortly decide on concessions that can be given for promoting small industries in the rural sector with special emphasis on backward areas. Other major provisions in the Budget are for the formation of 20 industrial co-operative societies for sericulture reeling, the formation of 50 industrial co-operatives for match workers in the backward areas of Ramanathapuram and Tirunelveli and the strengthening of share capital participation in 6 industrial co-operative tea factories in the Nilgiris.

23. The requirements of Government and public sector undertakings can be obtained to a large extent from small-scale, village and cottage industries. Following this approach, Government will take specific steps to give all opportunities for small-scale, village and cottage industries and to guarantee and increase the market for those engaged in these industries.

Handlooms and Khadi

24. The development of handloom and khadi is a matter of primary concern to the Government. A substantial provision of Rs 4 crores has been made in the Plan for handlooms and for khadi and village industries coming under the purview of the State Khadi and Village Industries Board. In addition, a provision of Rs 1·5 crores will be available under the Central Sector and Centrally-Sponsored schemes for handlooms.

Health

25. It is the birth-right of every citizen to expect the State to provide adequate and well-dispersed facilities for health and medical care since sound health is a basic requirement for the good life. The poorest person living in the most backward rural area of the State should have as much access to modern medical facilities as the urban dweller or a person who belongs to the upper classes of society. This is our ideal.

26. We propose to give a major thrust and impetus to rural health programmes. The mobile health scheme which was introduced in the last Budget in 24 Panchayat Unions is working satisfactorily. It is proposed to extend the scheme to 100 additional Panchayat Unions in 1978–79. We propose to cover the entire State, i.e., all the 383 primary health centres with mobile health services in the next three years. Our objective is to increase employment opportunities to medical graduates in the process of expanding rural health facilities. In the coming year, additional doctors will be appointed in 100 primary health centres. Employment will be provided to about 400 medical graduates in 1978–79 under various new schemes and in filling up normal vacancies. 54 mini-health centres have been sanctioned in the current year and it is proposed to open 50 such centres in 1978–79. A number of schemes will be taken up to strengthen the specialities in district, taluk and non-taluk hospitals and in Government dispensaries.

Education

27. Education has the pride of place in our Budget among all development programmes with an allocation of Rs 180·9 crores. A provision of Rs 4 crores has been

made in the coming year for the implementation of the 10+2+3 pattern. To provide for additional enrolment at various stages of school education, 1,000 new secondary grade teachers, 200 Tamil teachers and 200 physical education teachers will be appointed. A provision of Rs 1·54 crores has been made in the Budget for school buildings. In order to tackle the problems of wastage and stagnation in school education in rural areas, further progress will be made in the non-formal education scheme. In the coming year 748 centres will be opened for non-formal education throughout the State. We want the adult literacy programme to become a universal movement. A new scheme will be introduced to assist voluntary organisations engaged in this field. Books will be prepared and distributed on various useful subjects to new literates.

Tamil Culture

28. I have great pleasure in announcing that we have decided to establish a Tamil Cultural Centre at Madras to honour the memory of Tamil savants like Kambar and Vallalar. This Centre will include library and reading room facilities, an auditorium and exhibition halls. There is a close relationship between Tamil and Music. We have decided to establish a Music College at Madurai which will be affiliated to the Central College of Music at Madras. Rs 2 lakhs will be provided to establish a Chair on Islamic Tamil Literature in the name of Umaru Pulavar in the Madurai University. In the past, dramatic arts were held in high esteem in Tamil Nadu. In order to revive this art, a new scheme will be brought forward to train young students specially

in drama along with general education and to promote and provide necessary facilities for talented student dramatic troupes. Efforts will be taken to protect and promote village and folk arts.

Rural Drinking Water–Supply

29. In the current year, we had initiated a time-bound programme for providing a good and adequate source of drinking water for all habitations which did not have a drinking water source at all within one kilometre or did not have a potable source of water. Under this programme, 2,500 habitations with a population of 9 lakhs will be covered by the end of the current year. In 1978–79, we have made a budgetary provision of Rs 7·9 crores for this programme which is expected to be supplemented to the extent of Rs 4 to 5 crores from the Centre and from the surplus funds of Panchayat Unions. On this basis, we may reasonably expect to cover the balance of 3,126 habitations with a population of 15 lakhs in the coming year. With the completion of this programme, we can claim with a sense of pride and satisfaction that there will be no village in Tamil Nadu which will have to go without drinking water.

Rural Roads

30. Two schemes have been in operation in the State for providing communication facilities for villages. The first scheme is the all-weather road scheme. Under the other scheme only gravelled roads are constructed and these are easily damaged or washed away due to heavy traffic, rain or floods. We have decided to

replace these two schemes by a new scheme which will provide durable metalled roads throughout the State linking each village with bus routes and other main arteries under a phased programme. Culverts and small bridges will also be constructed wherever necessary. Link roads for the more important villages will be black-topped in the future in a phased manner. A provision of Rs 5·7 crores has been made in the Budget for the construction and restoration of rural roads on these lines. It shall be our objective to make necessary provisions in the coming years for this scheme which is designed to provide all villages with durable link roads.

Rural Housing

31. In my last Budget Speech, I had announced that 50 rural co-operative housing societies will be established in the current year. I am happy to inform the House that this has been done and efforts have been undertaken to enrol members in these societies with particular emphasis on the weaker sections. It is proposed to sanction 10,000 new loans for rural housing in the current co-operative year ending on June 30, 1978. We had earmarked Rs 2 crores in the lending programme of the Tamil Nadu Co-operative Housing Society for rural housing in the current year. This amount will be increased to Rs 3 crores in 1978–79. Special attention will be given to housing for handloom weavers under the co-operative housing scheme.

Social Welfare Services

32. The important provisions and schemes included in the Budget for the weaker sections are the following :

(i) The total allocation in the Budget for the welfare of Scheduled Castes, Scheduled Tribes and Backward Classes is Rs 25 crores. This includes a provision of Rs 2·2 crores for the Harijan housing scheme and a provision of Rs one crore for the Harijan house-sites scheme. The annual income limit for admission in hostels and for tuition fee concessions in respect of students belonging to Denotified Tribes and Backward Classes will be enhanced from Rs 2,000 to Rs 2,500. The outlay on the tribal sub-plan will be increased from Rs 1·53 crores in 1977–78 to Rs 2 crores in 1978–79.

(ii) The welfare of Scheduled Castes and Scheduled Tribes should not be viewed as a matter of merely providing them with housing facilities and educational concessions. The Budget contains a provision of Rs 36 lakhs for various programmes designed to improve the economic status of the Harijan population. This amount will be used as seed capital to mobilise institutional finance of the order of Rs 1·5 to Rs 2 crores in the coming year for expanding these programmes.

(iii) At present, pensions are given only to destitute widows who are 45 years of age or above. This limit will be lowered to 40 years and 5,000 additional pensions will be provided at an annual cost of Rs 12 lakhs.

(iv) Provision has been made for opening 200 additional child welfare centres in the coming year.

(v) A total provision of Rs 83 lakhs has been made in the Budget for various schemes relating to the rehabilitation of the physically handicapped.

(vi) A new scheme will be taken up for the comprehensive survey, detection and treatment of tuberculosis among beedi and handloom workers in four districts. A provision of Rs 20 lakhs has been provided in the Budget for subsidised housing scheme to be undertaken by the Housing Board for industrial workers.

Other Sectors

33. Low-cost tourist facilities will be provided at Mamallapuram, Mandapam, Viralimalai, Avudayarkoil, Elagiri and Ootacamund. The Pichavaram backwaters in South Arcot will be developed into a tourist resort. A provision of Rs 5·31 lakhs has been made for the free legal aid scheme introduced in the current year which has started functioning on sound lines. It is proposed to take several measures for detecting malpractices in and improving the administration of temples and other religious endowments. A total provision of Rs 26 lakhs has been made for Hindu Religious and Charitable Endowments Department and Wakf Board. Necessary provisions have been made for toning up the revenue administration, modernisation of Treasuries and strengthening of the Registration Department. Better promotional opportunities will be provided for Policemen. As against an allocation of Rs 38 lakhs made for the Police Housing scheme in the current year, we are significantly increasing the amount to Rs 90 lakhs in 1978–79. A new scheme

will be taken up to train able-bodied youth in various districts so as to make them fit for recruitment to the Indian Army and other defence services. Special training facilities for students from Scheduled Castes and Scheduled Tribes will be provided to train them for recruitment at the officers' level.

Benefits to Employees

34. Government have taken the following decisions to benefit employees :—

(i) The Third Pay Commission has been requested to expedite its report. The increased benefits consequent on decisions to be taken on the Pay Commission's report will be given effect to from 1st April 1978.

(ii) A lump sum non-recurring relief of Rs 25 will be given to all Government employees, employees of local bodies and teachers in aided schools, whose pay was below Rs 200 per month as on 1st January 1978 and of Rs 15 to all such employees whose pay was Rs 200 per month or above on that date. This amount will be paid to them along with their salaries for March 1978 due on 1st April 1978 from which date the increases consequent on the Pay Commission's report will be available.

(iii) A Services Commission will be set up to go into the aspects of simplifying and modernising the service rules that govern various categories of Government employees.

Financial Position

35. I shall now turn to the financial aspects of the Budget. The Budget Estimates for 1977–78 envisaged a revenue deficit of Rs 30·16 crores and an overall deficit of

Rs 18·89 crores. In the Revised Estimates, the revenue deficit is estimated at Rs 56·49 crores. The main reason for the large increase in the revenue deficit is the cyclone and flood expenditure. The impact of this expenditure on the revenue account is Rs 36·62 crores. However, we have been able to contain the overall deficit to Rs 19·71 crores which is only marginally higher than the original Budget Estimate.

36. Revenue receipts in 1978–79 are estimated at Rs 680·08 crores and the expenditure on the revenue account at Rs 726·76 crores resulting in a revenue deficit of Rs 46·68 crores. The relatively large revenue deficit in the coming year is mainly due to the provision we have had to make for the initial estimated expenditure on pay revision. In addition, the spill-over expenditure arising from cyclone and flood relief expenditures will be Rs 10 crores in the revenue account. The capital expenditure in 1978–79 will be Rs 63·45 crores. The overall effect of the transactions in all accounts is now estimated to result in a deficit of Rs 34·05 crores at the end of 1978–79. This figure includes the deficit of Rs 19·71 crores at the beginning of the year which will be carried forward.

37. Our difficult financial position in the coming year is the result of three principal factors. Firstly, the loss on account of Prohibition increases from year to year and is estimated at Rs 140 crores in 1978–79. Secondly, we will have to make allowance for a significant expenditure on pay revision. Thirdly, cyclone and flood relief expenditure will spill-over in the coming year. In all these matters, whether it is the Prohibition loss or improved emoluments to employees or the relief of natural calamities,

it has been our stand that adequate justice was not done to the States, and to Tamil Nadu in particular, in the award of the Sixth Finance Commission.

38. The Seventh Finance Commission recently visited Madras and we have had the opportunity to present our case to them for increased devolution and appropriate statutory grants for the five year period 1979–84. We have pointed out that national resources belong alike to the Centre and the States. We have urged the Finance Commission that they should ensure that these resources are allocated to the States in a manner fully consistent with the functions and responsibilities assigned to them under the Constitution. States should be provided with adequate and elastic resources which will be buoyant from year to year. In this view, we have strongly represented that the Corporation Tax should be made part of the divisible pool. We have pressed for full compensation for the loss arising from Prohibition as also for the additional expenditures that are cast on the State from time to time due to increases in dearness allowance. We have pointed out that assistance for the relief of natural calamities should not be deducted in the Plan period but provided in the form of additional assistance. We trust that our various representations before the Finance Commission will be given full and sympathetic consideration and that the award of the Finance Commission will result in an adequate transfer of resources to our State at least from 1979–80 onwards

Revisions in Tax Structure

39. The sizable deficit of Rs. 34 crores in the coming year has resulted after taking into account the liberal Central assistance for the Annual Plan. It has been our objective

to ensure that advance Plan assistance received so far on account of natural calamities does not affect the size of the Plan in 1978–79. It is a matter for satisfaction that we have received the full co-operation of the Centre in this matter and that we have been able to significantly increase the outlay on development in the coming year.

40. A measure of sacrifice on our own part to put through this massive effort will also be inevitable. The overall management of our finances will have to be based on continued economies in non-essential expenditure, due collection of taxes and ensuring the buoyancy of all sources of revenue. Some additional taxation not only to partially cover the deficit we face but also to enlarge our tax base in the future will also be necessary. It is in this context that we have proposed to make certain changes in Motor Vehicles Taxes, General Sales Tax, Motor Spirits Taxes and the Agricultural Income-Tax. Details of these measures have been fully explained in the Budget Speech circulated to the House. Honourable Members will appreciate that in each one of these measures we have tried to spare any additional burden to the common man.

41. Commercial taxes are the most important source of revenue to Government. We are anxious that evasion and avoidance in the payment of these taxes and corruption and harassment in the collection process should be thoroughly eliminated. With this objective, a number of measures have already been taken. The introduction of a fixed levy in respect of Entertainment Tax in the case of touring cinemas and permanent and semi-permanent theatres in village panchayats, town

panchayats and Grade II and Grade III municipalities and the provision of summary assessment facilities to small dealers whose turn-over is less than Rs one lakh are important steps in this direction. The Committee which we had announced to suggest changes in sales tax laws and regulations to reduce hardship to assessees, to improve collections and eliminate corruption has been set up. We have also now decided to reorganise and strengthen the intelligence, inspection and vigilance activities in the Commercial Taxes department under a suitable administrative set-up which will enable them to be undertaken in a co-ordinated manner. This reorganisation will be one more major step in our efforts to pursue vigilance as part of administrative reform.

42. At present, compensation on behalf of passengers and others who are killed or who suffer injuries in accidents in which buses are involved has to be obtained from the Motor Vehicles Accidents Claims Tribunal. This process not only involves delay but also causes considerable hardship and expenditure to the poorer victims. We have decided that one per cent of the entire receipts on Motor Vehicles Tax amounting to about Rs 50 lakhs will be credited annually to the Chief Minister's Public Relief Fund. An immediate cash grant of Rs 1,000 in the case of death and graded payments for other injuries will be made to the victims or families of victims of accidents in which buses, whether belonging to the State Transport Corporations or private operators, are involved. This cash grant will not affect any compensation from the Motor Vehicles Accidents Claims Tribunal.

43. The estimated yield from all these measures will be Rs 9·55 crores. The final deficit in the coming year will, therefore, be Rs 24·5 crores. We have requested the Centre for additional assistance for cyclone and flood relief expenditures. The net deficit will have to be covered by the joint efforts of the Centre and the State.

44. Sir, I am placing this Budget before the House with a sense of satisfaction. In claiming that this is one of many steps in realising the fond dreams of Anna, I feel a sense of achievement. I do not wish to deceive myself that everything is contained in this document. Yet, the shape of the ideal which we wish to reach is before our eyes. The Budget is only an outline of the various efforts we wish to take to revive and enthuse and to give hope and confidence to the people in our farms and factories, hills, coasts and backward areas where they shed their sweat and labour on day-long toil giving themselves up for the better life of others. In them, we see the aspect of divinity.

45. In the discussions that follow, I am keenly looking forward to constructive criticisms, suggestions and advice from the House. Honourable Members are aware of the inescapable difficulties which we had to face as a result of the fury of Nature. The expenditures that have arisen from this catastrophe as well as those which have to be incurred in the coming year have to be borne. Provision will have to be made to meet the legitimate demands of employees for upgradation in their emoluments. The deficit arising from the loss on account of Prohibition and expenditures involved in the strict enforcement of this

policy will have to be met. The burden of taxation cannot be loaded on the slender shoulders of the poor and the middle class. However, we have taken on these hard challenges and we have prepared the Budget with clear-cut objectives, taking bold and brave steps for removing the grievances of our people and to promote their satisfaction.

46. I would appeal to the House to give full support and co-operation to this Government which has taken on the firm commitment to improve the standard of living of our people, to increase their purchasing power, to remove poverty and to increase employment. I am confident that all well-intentioned Members of the House will accept the proposals in this Budget.

47. I would like to express my sincere thanks to Thiru S. Guhan, Finance Secretary, his colleagues and other officials who helped me and lightened my burden in preparing this Budget. With these words, I seek the approval of the House to the Budget Estimates for 1978-79.

MADRAS,
20th February 1978.

K. MANOHARAN,
Minister for Finance.